

Message Text

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PAGE 01 STATE 118200

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ORIGIN NEA-12

INFO OCT-01 ADP-00 XMB-07 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 PM-07 NSC-10 SS-15 IGA-02 EUR-25

/145 R

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6/18/73 EXT. 20574

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R 181848 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

INFO CINCEUR

SECDEF

CHARMISH MAAG

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E. O. 11652: N/ A

TAGS: MASS, IR

SUBJ: GOI/ EXIMBANK MILITARY CREDIT TALKS

REF: STATE 114830

1. AS RESULT OF MEETINGS OF GEN. TOUFANIAN WITH CHAIRMAN KEARNS OF EXIMBANK AND COMMERCIAL BANKS IN NEW YORK, FOLLOWING ARRANGEMENTS HAVE BEEN AGREED TO:

A. EXIMBANK IS PROVIDING ADDITIONAL DOLS 100 MILLION DIRECT CREDIT FROM FY 1973 AUTHORIZATION TO FINANCE GOI MILITARY PURCHASES DURING FY 1974. FIRST NATIONAL CITY BANK IS LENDING LIKE AMOUNT TO GOI BUT WITHOUT REQUIREMENT OF EXIM GUARANTEE. AGREEMENT COVERING BOTH CREDITS WAS LIMITED OFFICIAL USE

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PAGE 02 STATE 118200

SIGNED JUNE 14. IT PROVIDES FOR FIRST TIME FOR REPAYMENT OVER TEN YEARS, EXIMBANK TO RECEIVE PAYMENTS PARIPASSU WITH COMMERCIAL BANK.

B. KEARNS AGREED TO CONSIDER ADDITIONAL DEFENSE FINANCING IN FY 1974 OF DOLS 200 MILLION DIRECT CREDIT AND DOLS 200 MILLION AND POSSIBLY MORE IN GUARANTEES. TOUFANIAN INDICATED GOI ABLE TO OBTAIN SUBSTANTIAL COMMERCIAL LOANS WITHOUT EXIM GUARANTEE, BUT IS DISCUSSING WITH COMMERCIAL BANKS COMPARATIVE TERMS WITH AND WITHOUT GUARANTEES TO DETERMINE WHICH COURSE IS MORE FAVORABLE. KEARNS POINTED OUT FUTURE MILITARY FINANCING COULD BE AFFECTED ADVERSELY UNLESS COMMERCIAL FINANCING FOR IRANIAN PURCHASES REMAINED IN APPROXIMATE BALANCE. AFTER KEARNS EXPLAINED BASIS OF REQUIREMENT IN DETAIL, TOUFANIAN SAID HE WOULD DISCUSS MATTER, WHICH HE NOW FULLY UNDERSTOOD FOR FIRST TIME, WITH SHAH. HE FELT NECESSARY RESULTS WOULD BE FORTHCOMING. KEARNS PLACED PARTICULAR STRESS ON SATISFACTORY CONCLUSION OF PHILLIPS LNG PROJECT (REFTEL) AS AN EXAMPLE.

C. QUESTION OF CROSS DEFAULT- ACCELERATION CLAUSE IN LOAN AGREEMENT WAS RESOLVED TO SATISFACTION OF EXIMBANK, BUT PROBLEM OF ACCELERATION CLAUSE IN SUPPLIERS CREDIT WAS NOT SETTLED. EXIMBANK REMAINS DETERMINED THAT CLAUSE MUST BE RETAINED, AND HOPES THAT MEETINGS WITH MIN FINANCE REPS AGAH AND NIKAIN SCHEDULED THIS WEEK WILL BRING SOLUTION.

D. EXIM FURNISHED ATTORNEY TO SIT IN WITH TOUFANIAN PARTY DURING DISCUSSIONS IN NEW YORK.

2. COMMENT: VISIT APPEARS TO HAVE GONE QUITE WELL AND TO HAVE MADE REAL PROGRESS. TOUFANIAN CAN JUSTIFIABLY REPORT ON RETURN SUCCESSFUL NEGOTIATIONS INCLUDING EXTENDED REPAYMENT TERMS IN AGREEMENTS SIGNED AND PROSPECT OF SUBSTANTIAL FINANCING INCREASE IN FY 1974 WHICH GOI DESIRES. AT SAME TIME IT IS HOPED HE WILL NOT MINIMIZE IMPORTANCE OF AGREEMENT ON ACCELERATION CLAUSE OR NEED TO FIND WAYS TO RAISE COMMERCIAL UTILIZATION OF EXIMBANK LIMITED OFFICIAL USE

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PAGE 03 STATE 118200

FINANCING. FOLLOW-UP BY EMBASSY IN THIS REGARD WILL BE HELPFUL. ROGERS

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE118200
Document Source: CORE
Document Unique ID: 00
Drafter: JHROUSE: AP
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730622/aaaajeim.tel
Line Count: 115
Locator: TEXT ON-LINE
Office: ORIGIN NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE 114830
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 21 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Dec-2001 by shawdg>; APPROVED <25 FEB 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980211
Subject: GOI/ EXIMBANK MILITARY CREDIT TALKS
TAGS: MASS, IR
To: CHARMISH MAAG
CINCEUR
TEHRAN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005